



## OILSEEDS, OILS & MEALS MONTHLY PRICE AND POLICY UPDATE <sup>1</sup>

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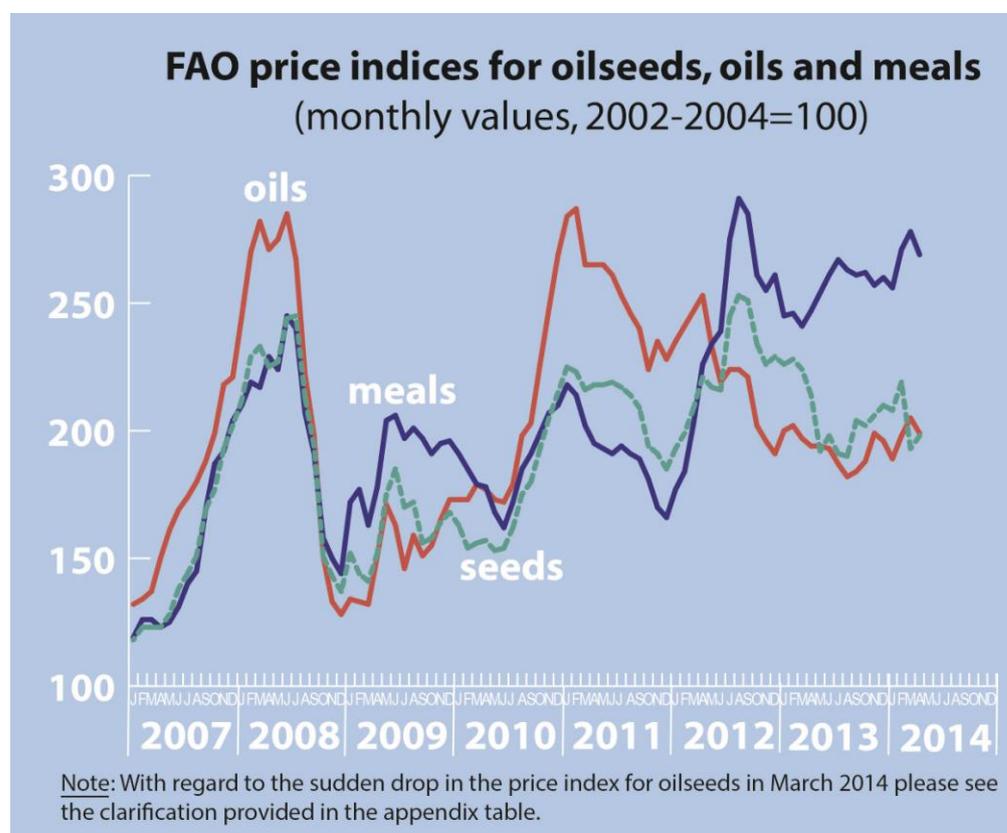
### a) Global price review

In April 2014, FAO's price indices for oils and for meals both fell by around 3 percent compared to the previous month (losing, respectively, 6 and 11 points), whereas the index for oilseeds rose by 2.5 percent (gaining 5 points). The price indices for oilseeds and oils continued to fare below the average of the past two seasons, while the meals index remained at historically high levels – although marking a 3-month low.

The rise in the oilseed index has been driven by developments in the soybean market. International soybean prices strengthened in response to the lingering tightness of supplies in the United

States, where a strong, unseasonal pace of crushing and exports continued to drive down domestic availabilities. However, international prices began to ease towards the end of April, when South America's bumper soybean crop finally started entering the market. First planting forecasts for the northern hemisphere's 2014/15 crops, notably the prospect of an all-time high soybean area in the United States, also contributed to the recent downturn in prices. Prices for rapeseed, the second most important component in the index, increased in April, because, in some countries, import requirements for the oilseed were only partially met due to the slow export flow from Canada.

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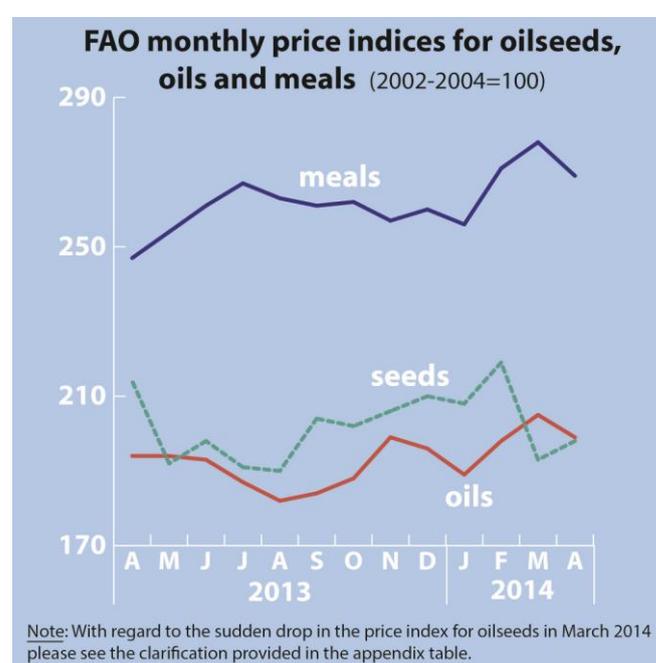
<sup>1</sup> The **Monthly Price and Policy Update**, or MPPU, is an information product provided by the oilseeds desk of the Trade and Markets Division of FAO. It reviews the development of international prices for oilseeds, oils and meals as reflected by FAO's price indices and spots important policy and market events selected from a variety of sources. The present issue covers developments observed during **March and April 2014**. Previous issues can be downloaded from the FAO website at the following URL: <http://www.fao.org/economic/est/publications/oilcrops-publications/monthly-price-and-policy-update/en/>

## Global price review – cont'd

The slide in the vegetable oil index mostly reflects the situation in the global palm oil market, where prices eased considerably in April, reversing the trend of the two previous months. A number of factors contributed to the softening in palm oil values, most notably reports of lower than anticipated import demand (especially in the European Union), as well as the arrival of beneficial rains in South-East Asia following three-months of dry weather, which is expected to drive up production, especially in Malaysia. Furthermore, exports by Malaysia have been hindered by persistent strength in the country's currency, leading to ample domestic availabilities. With regard to other vegetable oils, large export availabilities of sunflowerseed/oil during the current season, together with the prospect of ample supplies next marketing year, also weighed on the global price index. By contrast, soybean oil prices remained firm, primarily reflecting persisting tightness in global supplies. Values for rapeseed oil appreciated, mirroring the situation in the global rapeseed market.

As to the weakening in the price index for oilmeals, soymeal has been the dominant player: international soymeal quotations lost strength in response to reduced import demand from China. Lately, poor crush margins, persistent problems

with avian influenza and falling pork prices curbed China's demand for soymeal, leading to cancellations of large import orders from the United States and Brazil. Moreover, the market expects global export availability of soymeal to soar in the coming weeks/months on the back of South America's on-going soybean harvest. Finally, with regard to fishmeal, the recently announced, higher than anticipated Peruvian fishing quota, is expected to boost global export supplies, adding to the bearish price sentiment for oilmeals.



## b) Selected policy developments and industry news

### ARGENTINA – biodiesel policies

- WTO dispute settlement: Upon request by the Argentinean government, the WTO Dispute Settlement Body set up a panel to look into the EU's anti-dumping measures against imports of biodiesel from Argentina (*see also MPPU Jan. '14*). Argentina, claiming to be among the most efficient biodiesel producers globally,

ascribes the EU's action to an over-dimensioned EU biodiesel industry and considers the policy to be inconsistent with WTO rules. The European Union informed that the measure was necessary to restore fair competition and ensure the necessary conditions to maintain and develop its green energy sector. Private sources in Argentina expect this year's total biodiesel exports to plunge by 39% compared to last year (by 53%, if compared to 2012), mostly on account of lower shipments to the European Union.

- Domestic consumption: According to

industry sources in Argentina, at the prevailing government-set fuel prices, production of renewable diesel for the domestic market has become unprofitable. In March 2014, the government raised to Pesos 4 533 (USD 577) per metric tonne the price at which petrol companies can purchase biodiesel. At the same time, fuel prices at the pump continue to be regulated with a view to protecting consumers. Such policies are said to prevent blenders from purchasing the amounts required to meet the country's mandatory blending target. The average biodiesel content in fuel sold in Argentina is currently estimated at less than 5% – well below the 10% mandate.

- **Taxation:** Reportedly, the government of Argentina is considering to temporarily scale back taxes on biodiesel for domestic use in an attempt to support local sales – given the anticipated plunge in exports. The proposal currently envisages a suspension of the 19% tax levied on biodiesel for transportation fuel and the 22% tax applied to biodiesel for power generation. The tax concession would be granted as long as the EU anti-dumping duties remain in effect.

**AUSTRALIA / JAPAN – bilateral trade agreement:** Under a recently completed free trade agreement, Japan committed to gradually phase out its tariffs on rapeseed oil and other vegetable oils imported from Australia.

**BRAZIL – promotion of non-GMO soybean:** Brazil's federal agricultural research agency EMBRAPA will conduct a series of field days across Mato Grosso, the country's leading soybean state, to promote the cultivation of conventional varieties of soybean. EMBRAPA's project aims at developing competitive conventional soybean varieties so as to provide farmers with an alternative to only growing GMO material – considering that the latter can pose problems with herbicide resistant weeds. The field days will focus on variety selection, crop management, weed and disease control, and on how to avoid contamination with GMO soybeans. Mato Grosso is said to be the preferred state for conventional soybean growing as its crops can be exported via ports on the Amazon river, where the

risk of cross-contamination with GMO material is considered to be lower. According to ABRANGE, the Brazilian Association of non-GMO Grain Producers, the niche market for traditional soybeans will keep growing in both Europe and Asia (*see also MPPU June '13 & March '14*).

**BRAZIL – soy taxation:** The country's soy industry skirted the threat of a new tax being imposed on the internal soy market. In March, legislators decided to drop a proposal to reintroduce a social tax known as PIS/Cofins that would have rearranged taxation along the commodity chain without affecting exports. The soy complex had been exempted from paying the tax only last October. Reportedly, the government was not in favour of burdening the farm sector with additional taxes.

**CANADA – provincial biodiesel mandates:** To remain competitive with surrounding provinces, Ontario has introduced mandatory B2 blending (2% biodiesel in transportation fuel and heating distillate oil) at provincial level, to be raised to B3 in 2016 and B4 in 2017. The new regulation also sets minimum GHG emission reduction requirements – initially at 30%, but raising gradually to 70%. In Canada's four western provinces, local mandates at the B2 or B4 level are already in place. At federal level, Canada introduced mandatory B2 blending back in 2011, allowing oil companies to blend renewable diesel anywhere in the country, provided the national average reached 2%. Under Ontario's new mandate, blending will take place within the province, potentially creating a market for locally grown soybeans: an estimated local biodiesel demand of 140 000 tonnes per year would open a market for 680 000 tonnes of soybeans to be used as biodiesel feedstock.

**CANADA – transportation policies:** The government has taken additional measures to address the transportation bottlenecks faced by oilseed and grain producers after a record 2013/14 harvest was followed by extreme weather conditions (*see MPPU Mar. '14*). The country's two major rail companies have been ordered to

collectively double their weekly grain/oilseed movements to 1 million tonnes. The companies were given four weeks to meet the target, with fines being imposed for every day of non-compliance. The order will remain in place until the end of the 2013/14 (September/August) marketing year. Targets may be set in subsequent seasons too, taking into account the size of the harvest.. Market observers reported that, during March, the pace of grain and oilseed shipments started to improve. However, railway officials don't expect the transportation backlog to be absorbed before 2015. They also expressed concerns about the government's decision to regulate national rail transportation, warning that greater rigidity in the supply chain could result in costly inefficiencies, undermine innovation and hamper collaboration between members of the supply chain.

**CANADA / REP. OF KOREA – bilateral trade agreement:** Under a recently signed free trade agreement, Canadian agricultural products will be granted preferential access to the Rep. of Korea. Oilseeds, in particular rapeseed, soybean and their sub-products, are set to enter the Korean market tariff-free. According to Canadian industry sources, exports of rapeseed and rapeseed product to the Rep. of Korea could double as a result of the agreement.

**CHINA – agricultural and trade policy:** State-owned leading grain trader and processor *Cofco* has acquired a majority stake in the agribusiness unit of *Noble Group*, a global agricultural trading firm that owns extensive port and logistic facilities throughout the Americas, Asia and Eastern Europe. The move falls under China's new strategy to raise the country's presence in international grain markets (*see also MPPU March '14*). Adding an international sourcing and trading platform to *Cofco's* downstream processing and distribution capabilities will facilitate the creation of fully integrated value chains, which will help China to address domestic production constraints and reduce its dependence on foreign suppliers and third-party traders. As China starts channeling more of its purchase

orders through its own companies, market experts anticipate a steady increase in oilseed and grain imports from throughout South America – possibly at the expense of the United States. The latest acquisitions should also prove advantageous for the country's trade in sugar, coffee and cocoa.

#### **CHINA – public procurement & state reserves**

- **Soybeans:** Starting in May 2014, state agencies are expected to get rid of their reserves of soybeans after the government decided to abandon its procurement and stockholding scheme in favour of direct subsidies to soybean farmers (*see MPPU Feb. '14*). Private sources estimate public reserves from the 2013/14 crop at 3 million tonnes; another 3-4 million tonnes from earlier campaigns are believed to be in stock.
- **Rapeseed:** As opposed to soybeans, public procurement of rapeseed and stockpiling of rapeseed oil will not be discontinued. As the policy of protecting local farmers to encourage domestic production remains in place, state agencies are expected to start releasing rape oil from public reserves soon, so as to make room for the new harvest. Up to 5 million tonnes may be sold. Market observers anticipate releases of 300 000 tonnes per week. Sale/purchase prices and volumes have yet to be announced.

#### **CHINA – rapeseed meal importation:**

The government agreed to resume importations of rapeseed meal from Canada, which had been banned in January 2013 (*see MPPU Feb. '14*). For the time being, the import permission was given to a single company – in line with China's new registration process, which requires approval of each individual supplier.

#### **EUROPEAN UNION / UKRAINE –**

**preferential trade:** Anticipating the comprehensive free trade agreement between the European Union and Ukraine, which is expected to come into force later this year, the European Union offered to waive import duties on selected Ukrainian commodities – including sunflower oil – starting on April 23<sup>rd</sup>. The EU's ad-valorem tariffs for crude and refined sunflower oil stand at, respectively, 2.9% and 6.1%.

### **INDIA – trade policy**

- **Saturated fatty acid imports:** India notified the WTO that it initiated a safeguard investigation on imports of saturated fatty alcohols, which are claimed to have caused severe injury to India's refining industry.. Allegedly, profitability of domestic refining operations deteriorated sharply as a result of higher imports of palm oil-based fatty acids from Indonesia, where export taxes on refined palm oil products have been lowered significantly in 2011. Following its notification to WTO, the Indian government may take safeguard actions, such as temporary import restrictions.
- **Edible oil exports:** Based on estimates of an all-time high 2013/14 oilseed harvest, the government is considering to lower the minimum export price for packaged and branded edible oil from USD 1 400 per tonne to USD 1 100. Shipments in branded consumer packs were liberalized last year – subject to minimum export prices – to allow domestic refiners cater to overseas demand (*see MPPU Feb. & Nov. '13*). India's ban on bulk exports of vegetable oil remains in place.

### **INDONESIA – variable palm oil export tax:**

Following the recent swing in international palm oil prices – i.e. marked increases in February and March 2014, followed by drops in April – Indonesia initially raised its variable export tax on crude palm oil to 13.5% for April (compared to the 10% rate in place since February) and subsequently lowered it to 12%.

### **MALAYSIA – variable palm oil export tax:**

Following the recent strengthening in international palm oil values, Malaysia raised the export tax on crude palm oil to 5.5% for April and May. The rate had been kept unchanged at 5% since December 2013.

### **MALAYSIA / TURKEY – preferential trade:**

Under a newly signed free trade agreement, Malaysian exports of palm oil and animal fats to Turkey will enjoy preferential treatment. Reportedly, for palm oil and derived products, Turkey will apply a one-off duty reduction of 30% from the current MFN rate. The preferential

duty will benefit recently established joint ventures between Malaysian and Turkish firms operating in the Turkish oleochemical and bakery sectors. Relying on raw material supplies from Malaysia, these companies plan to supply the Turkish market and Middle Eastern and North African markets.

### **MEXICO – vegetable oil import tariff:**

Reportedly, in response to complaints by domestic crushers and refiners, the government decided to reduce rather than eliminate, as originally planned, the import tariff on vegetable oil . Government officials noted that Mexico's domestic oilseed production had grown less than anticipated and remains far from meeting domestic demand for oils and meals. Hence, import tariffs will remain in place to create favorable conditions for Mexican oilseed producers and processors.

**PAKISTAN – adulterated vegetable oil:** State agencies discovered noxious vegetable oil on sale in various domestic markets. Reportedly, some traders are conducting illegal imports of used cooking oil – falsely declaring the same as fatty acids or acid oils – for subsequent marketing as cooking oil or vegetable ghee. To prevent such practices, the government is considering to ban imports of cooking oils and fatty acids in drums, and to restrict bulk imports to industrial users, i.e. manufacturers of soaps and oleochemicals.

### **UNITED STATES – trans fat policy:**

The American Soybean Association (ASA) submitted comments on the US-Food and Drug Administration proposal to further reduce trans fatty acid consumption by rescinding the 'generally regarded as safe' (GRAS) status for partially hydrogenated oils (PHOs), including partially hydrogenated soybean oil (*see MPPU Dec. '13*). ASA claims that the removal of the GRAS status for PHOs would, in the immediate term, result in a substantial substitution of imported, higher saturated, fat oil for locally produced PHOs – harming US soy farmers and causing an unintentional increase in domestic consumption of saturated fat. ASA also pointed

out that, thanks to major efforts by the food industry, a dramatic reduction in trans fat consumption (in terms of daily per capita intake) has already been achieved over the last decade. Moreover, the country's soybean industry has turned its focus to developing high-oleic soybean varieties, which, in the medium to longer term may permit to replace PHOs in many food applications, allowing to reduce trans fat intake further (*see also MPPU Feb. '11, Dec. '12 & Apr./June/Aug. '13*). Finally, ASA recommended that alternative policies be considered to reduce trans fat consumption, notably establishing strict limits for the amount of trans fat in food products – a practice currently in place in Canada and Denmark.

#### **UNITED STATES – biodiesel policies**

- **Federal support:** The government announced that nearly USD 60 million will be made available to 195 producers to support the production of 'advanced biofuel'. The funding is provided through USDA's "Advanced Biofuel Payment Program" established under the 2008-Farm Bill and re-authorized in the 2014-Farm Bill. Payment are made to eligible producers based on the amount of biofuel produced from renewable biomass other than maize kernel starch, notably vegetable oil, animal fat, crop residue and animal, food and yard waste. Support is primarily directed to research, investment and infrastructure projects.. Since the programme's inception, payments totalled USD 279 million. The bulk of the subsidies was provided to biodiesel producers.
- **State incentives:** Reportedly, Iowa state, the country's leading producer of biodiesel, is planning to introduce a biodiesel producer incentive to remain competitive with surrounding states and to shelter the state's industry from the impact of uncertainty over the federal renewable fuel standard and other federal measures. Under the new legislation, the first 25 million gallons (84 000 metric tonnes) of biodiesel produced in any single plant would be eligible for a 2-cent-per-gallon refundable tax credit. Reportedly, policies in place in other states include an exemption from sales tax in Illinois, a production incentive in Missouri, and a B5 mandatory blending requirement in Minnesota.

#### **UNITED STATES – export promotion:**

New funding has been made available through the 2014 Farm Bill to assist agricultural commodity organizations in their efforts to expand commercial exports. Oilseed associations that have been awarded funding under USDA's "Market Access Program" and "Foreign Market Development Program" are: the American Soybean Association, the American Peanut Council, and the National Sunflower Association.

#### **Waste recycling**

- **Palm oil:** Reportedly, in Malaysia, two foreign joint ventures are set to build biogas plants using palm oil mill effluent (POME) as feedstock. Generated during the palm oil milling process, POME requires effective treatment before discharge into watercourses, due to its highly polluting properties. Of the two plants, one will use POME to produce power for supply to the electricity grid, while the other will generate power for use within a new palm oil mill. Analogous investment projects have been reported from Thailand.
- **Olive oil:** A European research team is exploring possibilities to recycle olive pomace, the residue left when olives are crushed for edible oil. Work is focusing on the potential of the olive pomace milling residue to be used as feedstock for gasification plants. Such (small scale) plants can be set up next to olive plantations and olive presses, to cover the energy requirements of these enterprises, while also relieving processors from the cost of disposing their residues. Other uses of pomace include the transformation into compost or fertilizer and the extraction of polyphenols (for use in foods and cosmetic products).

**Small-scale biodiesel production:** Reportedly, a Fijian island commenced producing coconut oil-based biodiesel for local consumption. At 240 000 liters per year, production is tailored to the island's own capacity and needs. Making use of the island's abundance of coconut trees and apply their copra making skills, villagers produce enough energy to light their homes and power basic appliances, while saving on fossil fuel usage and making their community energy-independent. Reportedly, locally produced biodiesel is sold at

13% less than regular diesel. The scheme is part of the Fiji Renewable Energy Power Project, which enjoys multilateral funding and technical assistance.

**Biodiesel production technology:** Reportedly, European researchers are developing low-energy water-free methods to produce biodiesel from either virgin vegetable oil or waste cooking oils/animal fats and other fatty wastes – a technology that could offer significant environmental and economic benefits. Traditional methods use high volumes of water to remove impurities, producing large amounts of polluted wastewater. Reportedly, the proposed alternative technology relies on catalysts to pre-treat biodiesel, using environment-friendly techniques for the removal of impurities.

**Coconut rehabilitation in the Philippines:** Global agribusiness and trading firm *Cargill* will support the rehabilitation of 600 hectares of coconut farmland in Eastern Visayas, following the damage caused by typhoon Yolanda last year. The initiative aims at stabilizing the supply and the price of copra in the Philippines, where the company produces coconut oil/meal for both domestic and export markets. Country-wide, the typhoon destroyed an estimated 15 million trees, causing a 13.5% drop in the country's copra supply. Considering that new trees take six to seven years to bear fruit, the main challenge is to accelerate the planting of new palms. *Cargill* committed to establish a nursery to grow seedlings as well as two set up demonstration farms for cash crop production, so as to help coconut farmers to sustain themselves while waiting for new palms to become productive.

#### **Brazilian infrastructure improvements**

- **Public efforts:** Interventions reducing the time needed to ship grains and oilseeds out of Mato Grosso continue to receive primary attention. Mato Grosso is the country's leading growth area for soybeans and currently accounts for close to one third of total national output. After awarding rights to upgrade the highway from Mato Grosso to the South (*see MPPU*

*March '14*), concessions have been provided to pave the principal route North – connecting Mato Grosso to the port of Santarem on the Amazon river. Once completed, the project is expected to cut soybean transportation costs from Mato Grosso to Santarem by no less than 35% compared to those involved in shipping soybeans to ports in South Brazil. Additional savings are expected once barging facilities along the Tapajós river, a tributary of the Amazon, will become available. While southern ports are between 1 950 and 2 100 km away from central Mato Grosso, the distance to Santarem and to the barging facilities amounts to, respectively, 1 400 and 1 100 km. Shipping out of the Amazon region will also reduce the overall time required to deliver soybeans to China, Brazil's key export market.

- **Private investments:** After *ADM Co.* (*see MPPU Feb. '14*), also international grain trading firm *Bunge Ltd.* announced it will start shipping grains through Brazil's northern state Pará. The company inaugurated two new terminals, one near Belém, in the estuary of the Amazon, and one further upstream, on the Tapajós river. In 2014, the new terminals are expected to handle 2.5 million tonnes, mostly soybean. Expansion to full capacity (4 million tonnes) is scheduled for 2015. The new facilities will be connected to Mato Grosso via the newly paved stretch of highway BR-163 and through a river barge system. Increased use of the new export corridor in the North is expected to relieve the burden on highly congested southbound highways. Private sources estimate that, by 2022, 60% of Mato Grosso's soybeans will be exported out of northern ports and only 40% via ports in the South.

**Futures trading:** *Bursa Malaysia* informed that it is ready to launch a futures contract for refined, bleached and deodorized palm olein, thus offering a possibility to hedge refining margins in palm oil. Trade officials pointed out that processing margins have become increasingly volatile as markets turned more competitive.

**Sustainable soy production:** Scandinavian meat company *HKScan* has joined the RTRS (Round Table on Responsible Soy), thus committing to

environmentally sustainable and socially responsible soy production, trade and processing. The company will ensure that, by the end of 2018, all soy/soymeal used in its meat value chain meets the requirements of RTRS.

### **Sustainable palm oil production/certification – general developments**

- **Malaysian NGO initiative:** In Malaysia, a coalition of NGOs – the *Malaysian Palm Oil NGO Coalition* – has called on government-linked companies and banks investing in the palm oil sector to help developing a sustainable industry. The coalition, which supports the international RSPO (Roundtable on Sustainable Palm Oil), recommended that banks ask for evidence of high social and environmental standards when assessing new proposals from oil palm growers.
- **Official Malaysian certification:** Government officials reported about challenges faced in getting the *Malaysian Sustainable Palm Oil (MSPO)* standard recognized by international buyers. Launched last year as a voluntary national standard complying fully with national laws and regulations (*see MPPU Apr. & Sep. '13*), to date only a limited number of producers seem to have applied for MSPO certification. MSPO competes with the internationally recognized RSPO certification, which is used by most of Malaysia's major oil palm plantation companies. Officials from the Malaysian Palm Oil Board (the state agency that has developed the new national standard), recommended that the possibility of making the MSPO standard mandatory for palm oil producers nation-wide be explored. Reportedly, smallholder producers would be considered for special assistance to enable them to be certified. Meanwhile, the association of plantation owners in Sarawak, the country's second largest oil palm state in terms of area cultivated, said that it was fully committed towards compliance and certification under MSOP.
- **Certified palm oil in Indonesia:** Recently, Indonesia replaced Malaysia as the world's leading supplier of RSPO-certified palm oil. Currently, almost half of the entire RSPO-

certified palm oil comes from Indonesia. In addition to promoting exports, efforts are underway to encourage absorption of certified product by the domestic market – an outlet with high potential, given that Indonesia is the world's second largest user of palm oil after India. In order to raise awareness of certified palm oil among Indonesian consumers, RSPO recently allowed several producers to use its logo. On a separate note, a study is underway to compare the RSPO standard with the government-initiated *ISPO* standard (*Indonesian Sustainable Palm Oil*). Given that numerous firms have applied to be appraised under both schemes, the possibility of conducting joined audits will be evaluated with a view to help reducing the time and cost of certification.

- **Global trade in RSPO-certified palm oil:** RSPO expects sales of certified sustainable palm oil (CSPO) to climb further in 2014 due to larger purchase commitments from main buyers (such as Unilever, Nestle and Procter & Gamble). Reportedly, growth will also be driven by a new EU food labeling regulation, which will require food manufacturers to specify the type of vegetable oils contained in their products. In general, foodstuff containing sustainably produced palm oil are expected to gain a competitive edge over similar products made with uncertified oil. Despite the projected rise in global sales, the uptake of CSPO remains limited compared to total quantities available in the market: for 2013, global supplies were reported at 8.7 million tonnes, whereas actual sales (through the three RSPO-authorized mechanisms) totaled only 4.5 million tonnes – implying that over 4 million tonnes of certified produce did not find a buyer and had to be sold as conventional oil with no premium going to growers (*see also MPPU June '13*). Moreover, only about one third of total CSPO trade used channels that allow product traceability, meaning that the bulk continues to be sold through simple (less demanding and costly) 'book & claim' mechanisms, which bypass the physical supply chain and thus do not include product segregation and traceability (*see also MPPU Dec. '13*).

**Sustainable palm oil production/certification – company news:**

Concerning the effective contribution of product certification to the adoption of sustainable production practices in the field, a growing number of palm oil buyers and major consumer brands seems to realize that the certification practices currently in place have remained relatively ineffective. Yielding to continued pressure by civil society groups, a number of companies accepted to increase their efforts, in particular by making voluntary pledges towards zero-deforestation and full product traceability, possibly going beyond the requirements set by RSPO. The latest initiatives in this area include:

- ***Mars***: Global snack food producer *Mars* unveiled a new set of guidelines aimed at ensuring that its palm oil supply chain is fully traceable and sustainable by the end of 2015. Reportedly, *Mars* recognized that its current practice of sourcing all its palm oil under the RSPO-certified ‘mass balance’ system (in place since 2010) contributes only modestly to the expansion of sustainable production practices. The company therefore announced a no-deforestation/no-peatland/no-burning pledge for its sourcing of palm oil, adding that plantation developments on land owned by local communities needed the latter’s free, prior and informed consent. *Mars* will require all its suppliers to have in place sustainable and traceable sourcing plans by the end of this year. Not-for-profit organization *The Forest Trust* accepted to help the company set up its framework for sustainable sourcing.
- ***Procter & Gamble***: The global consumer goods company announced new steps under its global sustainability policy, committing to full traceability of its palm/palmkernel oil by end 2015 and to zero-deforestation in its palm oil supply chain by 2020. Already using only RSPO-certified, *P&G*’s new targets are meant to enforce reliable, effective and lasting sustainable practices throughout its suppliers. Reportedly, special attention will be given to the needs of small producers. Advocacy groups remained critical of *P&G*’s new initiative, pointing out that no-deforestation commitments needed to be implemented with immediate effect.

- ***Cargill***: Going beyond earlier commitments, global agribusiness and trading firm *Cargill* committed to a new responsible palm oil policy. Reportedly, the company responded to pressure from customers (including Nestle, Unilever, General Mills, Kellogg, Hershey, Mars and Procter & Gamble), who promised to embrace more stringent sourcing policies. *Cargill* pledged to adopt responsible standards for all of its palm oil trade – a tough call, considering that the company sources 97% of its palm oil from plantations operated by third parties. Civil society group *Rainforest Action Network* pointed out that relying exclusively on RSPO standards and control mechanisms could prove insufficient and offered to help *Cargill* design and implement a binding, time-bound policy that included verifiable targets.
- ***Colgate-Palmolive***: The global health care and household company decided to add deforestation-free sourcing of raw materials to its sustainability commitments. Under its new policy, the company pledged to trace all palm oil supplies back to plantation by 2015. The company also committed to require zero net deforestation by 2020. In addition to palm oil, responsible sourcing will also be introduced for soybean, soyoil, beef tallow and other products.
- ***Safeway***: The US food & drugs retail company committed to using exclusively certified sustainable palm oil in its own brands. Reportedly, the company will require verification from suppliers that all of their palm oil and derived products are free of deforestation, peatland conversion, illegally held land, and human rights violations.
- ***Orkla***: The Scandinavian food and consumer goods company committed to implement, by 2017, a zero forest/peatland conversion policy for the palm oil it sources. Its policy includes provisions for all palm oil to be fully traceable to plantation level and for the protection of human and workers’ rights. In addition to being an important supplier in the Nordic and Baltic regions, *Orkla* also owns an important food company in India. In this regard, *Greenpeace* highlighted the importance of introducing responsible sourcing practices also in developing

countries, in particular in Asia, given their weight in global palm oil consumption. In 2013, India was the world's leading importer and consumer of palm oil. Other important buyers in Asia include China, Pakistan and the Islamic Republic of Iran.

- ***PepsiCo***: The global beverage and food company committed to take steps to stop illegal land seizures by its suppliers of raw materials, notably sugar, soybean and palm oil. Reportedly, the company will require supplying companies to respect community land rights, adhering to the principle of free, prior and informed consent. *PepsiCo* agreed to disclose, for the first time, its top sourcing countries and suppliers for palm oil, soy and sugar and pledged to engage with governments and international bodies to support responsible land right practices.
- ***Wilmar International***: Reportedly, the no-deforestation/no-peatland/no-exploitation policy recently adopted by one of the world's leading buyers and traders of palm oil (*see MPPU Dec. '13 & March '14*) has sparked criticism among producers in the Malaysian state of Sarawak, where *Wilmar* accounts for about half of total palm oil purchases. Reportedly, the local association of plantation owners (SOPPOA) defined the company's policy as discriminatory and detrimental to the state's palm oil industry. *Wilmar* clarified that its policy will not affect the purchases from smallholders and indigenous communities and from suppliers who developed carbon-rich peatland prior to December 2013. To date, in Sarawak, peatland conversion by oil palm estates has involved some 400 000 hectares (about one quarter of the state's total peatland area), according to unofficial estimates. *Wilmar* committed to help local smallholders develop their native customary land responsibly, irrespective of whether it includes peatland or not – as the company recognizes that indigenous communities depend on this land for their livelihoods. On the other hand, all new plantation development by commercial companies would potentially be in contrast to *Wilmar's* new purchasing policy. In this regard, the company informed that it will maintain constructive dialogue with all stakeholders and support its suppliers in shifting their operations away from

unsustainable practices, thus focusing its attention on their long-term commitment to proactively address the problems.

### **Edible oil marketing**

- **Irregularities in marketing**: In India, cases of edible oil adulteration and other irregularities have been reported in the states of Uttar Pradesh and Kerala. In Uttar Pradesh, oil companies and shopkeepers were found violating packaging norms. State officials discovered cases of improper labeling of ingredients, misleading information on nutritional value, missing manufacturing and expiry dates, missing producer's address, and sales in re-used tins. Traders were also found to mix edible oils with lower-priced rice bran oil and non-food grade palm olein. In Kerala, where coconut oil is the traditional cooking oil, steep rises in the price of pure coconut oil have triggered adulteration with palm kernel oil or used edible oils, potentially implying serious health risks. Trade sources, estimate almost 70% of the coconut oil sold through the unbranded retail network to be impure. In both states, food safety authorities ordered regular and stringent controls, including laboratory testing of samples.
- **Testing for adulteration**: A group of Swiss researchers is reported to be working on techniques that would allow simple and effective detection of adulteration in olive oil. Fraudulent practices are believed to be common in olive oil markets (*see also MPPU Nov. '13*). The new techniques consists in adding a miniscule amount of synthetic DNA to products to tag the oil, recording its origin and other key information. For testing, the markers would be extracted and analyzed, and, when the DNA concentration does not match with the original value, other oil must have been added to the product. Equivalent to a label that cannot be removed, the method is said to be safe, simple and extremely cost-effective. Although developed specifically for olive oil, the technology could prove particularly valuable if applicable to any edible oil.
- **Olive oil standards**: In the United States, California's olive oil producers will establish an olive oil commission to help set industry

standards and combat fraud. The initiative reflects concerns about the lack of binding national and international standards for extra virgin olive oil. Producers reported that, presently, a wide range of olive oil qualities is being marketed as “extra virgin”, without adequate quality guarantees (*see also MPPU Dec. '10, May '11 & Nov. '13*).

- Flax/linseed health attributes: In Canada, official approval has been granted for a health claim linking ground flax/linseed to lower cholesterol levels, a risk factor for heart diseases. Rich in omega-3 fatty acids as well as high quality protein, soluble fiber and phenolic compounds, flaxseed has gained importance as a functional food ingredient. According to the Flax Council of Canada, mention of the health claim on food labels will stimulate the development and demand for food and beverage products incorporating the ingredient. Canada is the world’s top producer of flax/linseed, followed by China and the Russian Federation. In addition to food purposes, flaxseed is also used in industrial, fiber and feed applications.

- Trans fatty acids: Reportedly, the European association of margarine producers updated its code of practice on health-damaging trans fatty acids (TFA) in order to limit their levels in manufactured foods containing margarines and fat spreads. Under the revised code, members of the

association commit to encourage their customers (i.e. food producers that use margarines as ingredients) to only buy margarines with no more than 2% TFA on a fat basis. As to retail blends and blended spreads that are made by mixing vegetable oils and butter, these should contain no more than 5% TFA on a fat basis. Furthermore, food manufacturers are invited to ensure that the combined total of trans fatty acids and saturated fatty acids does not rise as a result of product/recipe reformulations. The association also supports mandatory labeling of both trans fat and saturated fat from all sources in all retail food products, so as to ensure that consumers are informed of the nutritional content of products they buy. Reportedly, the EU margarine industry has been engaged in reformulation processes for the last 15 years, and the European Food Safety Authority recently recognized that TFA intake in the EU has decreased thanks to these efforts. (On other national/international TFA standards and policies see also *MPPU Jan. '10, Sep. '11, June&Dec. '13*)

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	<u>International Prices (US\$ per tonne) <sup>1</sup></u>					<u>FAO Indices (2002-2004=100) <sup>7</sup></u>		
	Soybeans <sup>2</sup>	Soybean oil <sup>3</sup>	Palm Oil <sup>4</sup>	Soybean Cake <sup>5</sup>	Rapeseed Meal <sup>6</sup>	Oilseeds	Vegetable oils	Oilcakes/ Meals
<b>Annual (Oct/Sep)</b>								
2004/05	275	545	419	212	130	104	103	101
2005/06	259	572	451	202	130	100	107	96
2006/07	335	772	684	264	184	129	150	128
2007/08	549	1325	1050	445	296	216	246	214
2008/09	437	849	682	409	206	157	146	179
2009/10	429	924	806	388	220	162	177	183
2010/11	549	1308	1147	418	279	214	259	200
2011/12	562	1235	1051	461	295	214	232	219
2012/13	563	1099	835	539	345	213	193	255
<b>Monthly</b>								
2012 - October	617	1183	844	555	359	234	202	261
2012 - November	595	1148	816	539	378	226	196	255
2012 - December	603	1153	772	553	396	229	191	261
2013 - January	591	1192	838	512	367	226	200	245
2013 - February	597	1164	862	513	381	228	202	246
2013 - March	588	1117	853	503	367	224	197	241
2013 - April	559	1099	841	521	300	214	194	247
2013 - May	498	1077	849	527	404	192	194	254
2013 - June	523	1036	858	551	321	198	193	261
2013 - July	514	997	838	568	304	191	187	267
2013 - August	514	995	824	564	277	190	182	263
2013 - September	554	1028	823	557	291	204	184	261
2013 - October	544	989	866	555	318	202	188	262
2013- November	556	992	921	541	316	206	199	257
2013 - December	568	979	907	548	336	210	196	260
2014 - January	566	935	871	539	337	208	189	256
2014 - February	594	991	911	571	361	219	198	271
2014 - March	501	1001	959	582	396	193 <sup>8</sup>	205	278
2014 - April	516	1005	911	563	375	198	199	269
<sup>1</sup> Spot prices for nearest forward shipment								
<sup>2</sup> Soybeans (US, No.2 yellow, c.i.f. Rotterdam)								
<sup>3</sup> Soybean oil (Dutch, f.o.b. ex-mill)								
<sup>4</sup> Palm oil (Crude, c.i.f. North West Europe)								
<sup>5</sup> Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam)								
<sup>6</sup> Rapeseed meal (34%, Hamburg, f.o.b. ex-mill)								
<sup>7</sup> The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 2002-2004 period. The indices are based on the international prices of five selected seeds, ten selected vegetable oils and five selected cakes and meals.								
<sup>8</sup> The sudden drop in the price index for oilseeds in March 2014 is due to a structural break in the underlying price series for soybeans (US no.2 yellow, c.i.f. Rotterdam), the component with the highest weight. A look at alternative reference prices for soybeans reveals that, during March and April 2014, international soybean values have actually appreciated further rather than falling. For a detailed explanation of the anomalous trend in the soybean reference price, please refer to issue no. 58 of the Oilcrops Monthly Price and Policy Update (MPPU), which can be downloaded through the following link: <a href="http://www.fao.org/fileadmin/templates/est/COMM_MARKETS_MONITORING/Oilcrops/Documents/MPPU_April_14.pdf">http://www.fao.org/fileadmin/templates/est/COMM_MARKETS_MONITORING/Oilcrops/Documents/MPPU_April_14.pdf</a>								
Sources: FAO and Oil World								